

**REMARKS**

Summary of the Office Action

Claims 1-58 are pending.

Claims 1-44 and 46-58 have been rejected under 35 U.S.C. § 102(b) as being anticipated by Ishiguro et al. U.S. Patent No. 5,502,765 (“Ishiguro”). Claims 4 and 45 have been rejected under 35 U.S.C. § 103(a) as being obvious form Ishiguro in view of Carlisle et al. U.S. Patent No. 5,649,118 (“Carlisle”).

Applicants’ Reply

Applicants have amended independent claims 1, 25, 32, 37, 41 and 54 to clarify the invention. No new matter is added. Applicants respectfully traverse the prior art rejections.

Prior art § 102(b) and § 103(a) rejections

As previously submitted, applicants’ provides systems and methods for direct but secure transactions between smart cards (or other portable devices) without the need for accessing a host system to verify or authenticate process parameters such as time. According to applicants’ invention, each smart card is embedded with its own trusted time clock, reference or parameter. (See e.g., specification page 5, lines 14-20). The embedded trusted time parameter may be hashed or otherwise represented by a sequence of numbers.

Independent claims 1, 25, 32, 37, 41, and 54 are directed to the inventive systems and methods. All of these independent claims 1, 25, 32, 37, 41, and 54 require key-secured communication between two smart cards to mutually update information based upon a comparison of trusted times that are embedded in each of the two smart cards. (See e.g., specification, page 18, lines 19-26.)

For example, claim 37 recites:

“if the first time is older than the second time, sets the first sequence number to have a value of the second sequence number; and conversely,

if the second time is older than the first time, sets the second sequence number to have a value of the first sequence number.”

Applicants respectfully submit that this feature of the invention is not shown, taught or suggested by Ishiguro whose disclosure is relates to settlement of financial transactions using IC cards and IC card readers. In the Office Action, the Examiner cites specific portions of Ishiguro (i.e., col. 16 line 11 to col. line 16, and col. 5, lines 52-53) as disclosing all of the elements of claims 1, 25, 32, 37, 41 and 54 (Office Action, Section 6). However, careful reading of the cited portions shows that Isiguro does not show, teach or suggest the applicants' claims. The portion at col. 5 lines 52-53, which describes Isihiguro's FIG. 1, merely shows an arrangement for managing the interactions between an IC card and an IC card reader. The portions at col. 16 line 11 to col. line 16, and col. 5, lines 52-53 describe Ishiguro's FIG. 10, which shows procedures for “time- stamped” payment of charges by the IC card via the IC card reader. The Time Stamp (TSb ) information is stored in the IC card reader in region 2M4. The time stamp (TSb) is maintained by an external terminal management center. (See e.g., FIG. 11 and col. 15 lines 54-66). Isiguro further describes security verification of digital signatures that are suitably time stamped to prevent fraud or misuse (e.g., stolen cards or card readers). (See e.g., col. 17 line 16 - col. 18 line 2).

However, Ishiguro does not show, teach or suggest comparing “trusted times” on two cards and mutually replacing the “older” time on one of two cards with the “newer” time on the other card as is required by claim 37.

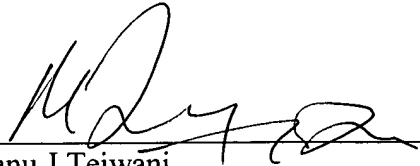
Accordingly, claim 37 is patentable over Isiguro. Further, claims 1, 25, 32, 41, and 54, which like claim 37 include “mutual” updating limitations, also are patentable over Ishiguro for at least the same reasons as claim 37.

Additionally, dependent claims 2--24, 26-31, 33-40 and 42-53, and 55-58 also are patentable over Ishiguro for at least the same reasons as their respective parent claims.

Conclusion

This application is now in condition for allowance. Reconsideration and prompt allowance of which are requested. If there are any remaining issues to be resolved, applicants respectfully request the Examiner to kindly contact the undersigned attorney by telephone for an interview.

Respectfully submitted,



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